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TO: Supervisor Zev Yaroslavsky, Chairman
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           Supervisor Don Knabe
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FROM: J. Tyler McCauley
           Auditor-Controller

SUBJECT: **DEPARTMENT OF HEALTH SERVICES – HARBOR/UCLA MEDICAL
           CENTER COUNTY-WIDE TIMEKEEPING AND PAYROLL/PERSONNEL
           SYSTEM FOLLOW-UP REVIEW**

At the request of the Audit Committee, we have completed a follow-up review on the
Department of Health Services – Harbor/UCLA Medical Center's (H/UCLA)
implementation of the recommendations in our March 2000 County-wide Timekeeping
and Payroll/Personnel System (CWTAPPS) Review. This is our second follow-up
review.

Background and Purpose

Our initial audit contained 25 recommendations for improvement and covered areas
such as terminations, bonuses, payroll processing, leave accounting, overpayment
recoveries, overtime and data security. The purpose of this follow-up review was to
assess H/UCLA's progress in implementing the recommendations since our prior
follow-up report in February 2002. In this follow-up review, we assessed H/UCLA's
progress in implementing the nine recommendations that had not been previously
reported as implemented (see attachment).

Status of Recommendations

Overall, H/UCLA continues to make progress in implementing the nine outstanding
recommendations. Since our last follow-up report, H/UCLA has strengthened its payroll
operations by fully implementing four recommendations and partially implementing
three recommendations. Two recommendations remain not implemented. H/UCLA
management needs to increase its monitoring to ensure that all outstanding
recommendations are fully implemented.

The status of the three partially implemented and two not implemented recommendations are discussed below:

Recommendation #6

H/UCLA management instruct Payroll staff to not process time cards with alterations unless they have been initialed by the employee and supervisor.

Current Status: PARTIALLY IMPLEMENTED

In our prior follow-up, we reported that H/UCLA had issued a memo restating the Department's policy that employees and supervisors must initial time card alterations. Since then, H/UCLA issued another memo reiterating the policy. However, we reviewed nine time cards with alterations and noted that for eight of the timecards the employee did not initial the alterations. In all nine instances, the supervisor did not initial the changes. We also noted that H/UCLA payroll staff processed all nine altered time cards, even though the changes were not initialed.

H/UCLA management needs to continue to remind staff/supervisors of the requirement to initial time card alterations and should monitor for compliance. If appropriate, management should take disciplinary action against staff/supervisors who do not comply.

Recommendation #10

H/UCLA management monitor standby hours scheduled/worked to ensure employees do not earn more than their maximum allowable amount per month.

Current Status: NOT IMPLEMENTED

The County Code limits how much standby pay employees can earn. Our follow-up disclosed that H/UCLA still does not monitor standby pay to ensure employees do not exceed their limit. We reviewed twelve employees who received standby pay from February through June 2002 and noted that one employee exceeded his limit, resulting in a small overpayment.

Recommendation #19

H/UCLA management ensure overtime worked is pre-approved. In emergencies, the approval should be obtained as soon as possible after the overtime is worked.

Current Status: PARTIALLY IMPLEMENTED

DHS policy requires all overtime to be pre-approved by the department head or designee, except in emergencies. In emergencies, the approval should be obtained as soon as possible after the overtime is worked. H/UCLA delegates pre-approval of overtime to lower level management.

To determine if guidelines are being followed, we reviewed 1,220 hours of overtime worked by 20 employees in May 2002. We found 12 employees worked a total of 396 (32%) hours of overtime without a signed authorization.

H/UCLA management indicated that they have met with facility managers to reinforce the overtime approval procedures. However, H/UCLA management also needs to monitor overtime worked to ensure staff complies with the policy.

Recommendation #22

H/UCLA management periodically review employees' profile assignments for appropriateness. Employees who no longer require CWTAPPS access should be deleted from the system.

Current Status: PARTIALLY IMPLEMENTED

In our prior follow-up review, we identified three employees who had inappropriate CWTAPPS access. In our current follow-up, we reviewed all 29 employees with CWTAPPS access and found two employees with inappropriate CWTAPPS access. These two employees were the same employees identified in our prior follow-up review.

H/UCLA management needs to ensure that employees do not have inappropriate access to CWTAPPS and that employees who no longer require CWTAPPS access are deleted from the system.

Recommendation #23

H/UCLA management utilize processing centers so that staff cannot access their own personnel/payroll information on CWTAPPS.

Current Status: NOT IMPLEMENTED

Employees can be grouped into processing centers (e.g., by pay location, division, etc.) to limit the payroll/personnel information accessible to each user. Processing centers help ensure that payroll and personnel staff do not have access to their own information on CWTAPPS. H/UCLA management indicated they have been working with DHS Administration to set up the processing centers. However, the processing centers have not been established.

<u>Review of Report</u>

We discussed our report with H/UCLA management on August 7, 2002. They agreed with our appraisal of H/UCLA's progress in implementing the recommendations. DHS will provide your Board with a written response within 60 days.

We thank H/UCLA management and staff for their cooperation and assistance during our review. If you have any questions, please call me or have your staff contact Dewitt Roberts at (213) 974-0301.

JTM:DR:JS

c: David E. Janssen, Chief Administrative Officer
   <u>Department of Health Services</u>
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   Violet Varona-Lukens, Executive Officer
   Public Information Office
   Audit Committee

Department of Health Services – Harbor/UCLA Medical Center
CWTAPPS Follow-up Review
Status of Recommendations

Partially Implemented Recommendations

1. H/UCLA management instruct Payroll staff to not process time cards with alterations unless they have been initialed by the employee and supervisor. (#6)

2. H/UCLA management ensure overtime worked is pre-approved. In emergencies, the approval should be obtained as soon as possible after the overtime is worked. (#19)

3. H/UCLA management periodically review employees' profile assignments for appropriateness. Employees who no longer require CWTAPPS access should be deleted from the system. (#22)

Not Implemented Recommendations

1. H/UCLA management monitor standby hours scheduled/worked to ensure employees do not earn more than their maximum allowable amount per month. (#10)

2. H/UCLA management utilize processing centers so that staff cannot access their own personnel/payroll information on CWTAPPS. (#23)

Implemented Recommendations

1. H/UCLA management ensure someone with no payroll responsibilities traces terminated employees' names to the Payroll Sequence Register for at least three consecutive months after termination. (#4)

2. H/UCLA management ensure payoffs are conducted at least twice a year at all pay locations. (#16)

3. H/UCLA management ensure that staff independent of personnel/payroll functions verifies that written approval exists for each supplemental warrant issued on the CWPAY Report of Supplemental Payroll Warrants Issued. (#17)

4. H/UCLA management ensure that correct leave codes are used while employees are on extended sick leave. (#18)